

NORTH SOUND REGIONAL SUPPORT NETWORK
Skagit County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. Network Officials Should Prepare Accurate Financial Statements

Our audit of the network's financial statements disclosed the following errors:

- a. Due to Other Government Units and Revenues Collected in Advance did not reflect the correct amounts at year end.
- b. Fund balance for General Fund reported in the Balance Sheet was incorrect and did not agree to the balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- c. Some federal grant revenue reported in the financial statements was misclassified as state grant revenue due to posting errors. As a result, revenue reported in the Schedule of Federal Financial Assistance did not agree with the financial statements.
- d. The beginning fund balance reported on Schedule 04, Detail of Revenues and Other Resources, did not agree with the prior year's ending fund balance.

Under the authority of RCW 43.09.200, the Office of State Auditor has promulgated the *Budgeting, Accounting and Reporting System* (BARS) manual as a uniform system of accounting for regional support networks. It requires that accounts be exhibited in a true and accurate manner.

Most of the errors that occurred were due to corrections to the 1992 financial statements that were not entered in the network's accounting system. The audited financial statements have been adjusted to correct for the effects of these errors.

Inaccurate preparation of financial statements and schedules results in inadequate disclosure of the network's financial activities to the network's officials and the public, and increases audit costs. We believe that the public's confidence in government requires accountability and timely disclosure of relevant and accurate financial information.

We recommend that network personnel establish procedures to ensure that future annual reports and schedules are prepared accurately.

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Schedule Of Federal Findings

1. North Sound Regional Support Network Officials Should Monitor Subrecipients In Accordance With Federal Requirements

North Sound Regional Support Network officials have not monitored subrecipients of the U.S. Department of Health and Human Services, Community Development Block Grant Program (CFDA 14.218) in accordance with federal regulations. Our tests disclosed that the network had not obtained or reviewed audit reports for five of nine subrecipients we selected for testing.

The U.S. Office of Management and Budget's (OMB) Circular A-128 establishes subrecipient monitoring requirements. OMB Circular A-133 and Circular A-128 cover audit requirements for the network's subrecipients that receive \$25,000 or more of federal assistance. The network is required to ascertain subrecipients comply with audit requirements.

The network has policies and procedures pertaining to monitoring of subrecipients. These policies and procedures, however, do not result in identification of all subrecipients or ensure the timely receipt and review of audit reports.

Failure to monitor subrecipient contracts in compliance with requirements reduces assurance that such contracts are properly administered or that costs charged are allowable. It could also jeopardize future federal funding.

We recommend that North Sound Regional Support Network officials monitor subrecipients in accordance with federal requirements. We also recommend that officials improve policies and procedures to ensure the timely receipt and review of audit reports from subrecipients.

2. North Sound Regional Support Network Officials Should Improve Control Procedures Over Suspended And Debarred Requirements

Our tests of major federal financial assistance programs administered at North Sound Regional Support Network disclosed that officials do not have a control structure in place to provide reasonable assurance of compliance with federal grant requirements pertaining to contracting with suspended or debarred parties. The programs tested included the U.S. Department of Health and Human Services Alcohol and Drug Abuse and Mental Health Services Block Grant (CFDA 93.958) and Federal Funds) Administrative Match (CFDA 93.778).

We found that officials have not required contractors or subrecipients to provide certifications that they are not suspended or debarred. We also found that officials do not review the U.S. General Service Administration's (GSA) current suspension and debarment list to determine that contractors or subrecipients are not on it.

The U.S. Office of Management and Budget's (OMB) "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C.35 states:

Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension".

GSA regulations require that recipients of subawards over \$25,000, e.g. contract, subcontract, or subgrant, must certify that the organization and its principals are not suspended or debarred.

Officials have not developed a control structure to provide assurance of compliance with the requirements because there have not been any known instances of network officials contracting with suspended or debarred parties.

Without the appropriate procedures, federal assistance might be awarded to a suspended or debarred party, which would result in noncompliance with the "Common Rule" requirement.

We recommend that North Sound Regional Support Network officials review the GSA's *Lists of Parties Excluded From Procurement or Nonprocurement Programs* prior to granting a contract. We also recommend that officials obtain required certifications regarding debarment and suspension upon signing contract agreements.